

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of

Access Charge Reform;
Price Cap Performance Review
for Local Exchange Carriers;
Low-Volume Long Distance Users;
Federal-State Joint Board On Universal Service)

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

CC Docket No. 96-262
CC Docket No. 94-1
CC Docket No. 99-249
CC Docket No. 96-45

INITIAL COMMENTS OF THE
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

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November 12, 1999

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**INITIAL COMMENTS OF THE
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS**

Pursuant to the Federal Communication Commission's ("FCC" or "Commission") General Rules of Practice and Procedure, the National Association of Regulatory Utility Commissioners ("NARUC") respectfully submits the following comments in response to the Commission's September 15, 1999 notice of proposed rulemaking seeking comment on a proposal submitted by the Coalition for Affordable Local and Long Distance Service ("CALLS") on July 29, 1999.

In support of this request, NARUC states the following:

I. NARUC'S INTEREST

NARUC is a quasi-governmental nonprofit organization founded in 1889. NARUC includes within its membership the governmental bodies of the fifty States, the District of Columbia, Puerto Rico, and the Virgin Islands charged with the duty of regulating the telecommunications common carriers within their respective borders. These agencies have the obligation to assure that telecommunications services and facilities required by the public convenience and necessity are provided and maintained and that service is provided at rates that are just and reasonable.

The Telecommunications Act of 1996 (“Act”) increased the burdens and responsibilities on NARUC’s member commissions and requires them to work closely with the FCC to implement the pro-competitive goals of the Act while preserving universal service. The proposal presented for review in this proceeding will clearly have a dramatic impact upon State’s obligations under both the 1996 Act and their own enabling statutes.

II. BACKGROUND

The CALLS Proposal is an interstate universal service and interstate access charge reform plan covering price cap incumbent local exchange carriers (“ILEC’s”). This proposal was developed through negotiation among the following ILECs and interexchange carriers: AT&T, Bell Atlantic, BellSouth, GTE, Sprint, and SBC. CALLS offers the proposal as a comprehensive solution to the the coalition’s access charge, universal service, and price cap concerns. It is designed to be implemented over a five-year period beginning in January 2000 and would apply to those carriers who voluntarily elect to participate. The most prominent features of the proposal are as follows:

- The 75 percent increase of the ILEC-billed interstate Subscriber Line Charge over a 5 year period [by consolidating it with the PICC along with a contemporaneous unspecified increase in funding for the federal “lifeline” universal service program];
- The creation of an explicit \$650 million portable universal service support fund designed to recover the “implicit universal support” eliminated from access charges by its proposal; and
- The reduction of per minute access charges paid by interexchange carriers like AT&T to ILECs by approximately 50 percent.

CALLS asked the FCC to adopt the plan for a 5 year period beginning January 2000.

The FCC's proposed rulemaking (1) cites the State Member Joint Board suggestions to reduce or eliminate the SLC and substitute a single flat charge assessed upon IXC's, (2) asks if the FCC should adopt the CALLS Proposal "in its entirety," (3) asks if the FCC does not adopt the whole proposal, if there are aspects of the proposal that should be incorporated into any of the FCC's concurrent proceedings, and (4) invites parties to propose alternative plans

Because of the critical importance of the issues raised by this proposal, NARUC established regular and ongoing conference calls to discuss the proposal shortly after the FCC issued its notice. Indeed, the FCC acknowledged the importance of these issues to NARUC's members when it graciously acquiesced in our request for additional time to analyze the proposal at our recent Annual Convention in San Antonio, Texas. The discussion at the Convention resulted in a resolution addressing the CALLS proposal. A copy is appended to this pleading as Appendix A.

III. COMMENTS

PRIOR TO ACTING TO COMPREHENSIVELY ADDRESS THE CALLS OR RELATED ACCESS CHARGE REFORM PROPOSALS, THE FCC SHOULD CAREFULLY CONSIDER A NUMBER OF ISSUES.

The CALLS proposal represents a consensus proposal from diverse industry segments. In recognition of the industry efforts, NARUC's resolution specifically commends the CALLS participants for negotiating an access charge reform proposal for FCC review.

Whatever its merits and flaws, this proposal clearly raises a host of issues of direct and critical concern to NARUC's State commission membership and the country as a whole. These concerns must be addressed prior to achieving a comprehensive solution. As a result of the discussions at the NARUC Convention, a number of NARUC member States are expected to file

comments detailing their concerns with more specificity. However, the attached NARUC resolution also identifies a number of specific concerns with the CALLS proposal *as filed*.

Significantly, the resolution also points out that NARUC “*is willing to work with the CALL’s proponents and all other stakeholders to develop an access charge reform proposal.*”

Specifically, the NARUC “urges the FCC to address the following as it reviews the CALLS proposal:”

- The impact on jurisdictional responsibility for costs (e.g., separations);
- How end user consumers will benefit from reduced access rates and other changes in rate design;
- Whether the interests of affordability and comparability are sufficiently accommodated;
- The impact of the Internet on the continued ability to recover common line costs on a per-minute basis;
- Assess both market-based and prescriptive approaches; and
- Consistency with the Federal Telecommunications Act of 1996.

NARUC also urges the FCC to encourage companies paying reduced access rates to pass these reductions on to end user customers.

IV. CONCLUSION

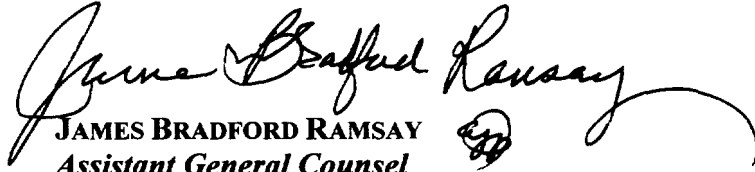
NARUC respectfully requests that the FCC carefully examine the concerns listed, *supra*.

Respectfully Submitted,



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Appendix A - RESOLUTION ON CALLS ACCESS CHARGE REFORM PROPOSAL

WHEREAS, the Coalition for Affordable Local and Long Distance Services ("CALLS") submitted a proposal to the Federal Communications Commission ("FCC") on July 29, 1999 and the FCC seeks comment on such proposal; and

WHEREAS, the CALLS proposal is an interstate universal service and interstate access reform plan covering price cap incumbent local exchange carriers ("LECs"); and CALLS would transfer most carrier common line revenue and PICC revenue to a subscriber line charge (SLC) and would transfer the remainder of carrier common line revenue to a new interstate universal service fund, amounting to up to \$650 million; and

WHEREAS, the industry participants should be commended for negotiating a proposal for FCC review; and

WHEREAS, other stakeholders concerns, and other issues, must, however, be addressed prior to achieving a comprehensive solution; now, therefore, be it

RESOLVED, that the National Association of Regulatory Utility Commissioners (NARUC) convened at its 111th Annual convention in San Antonio, Texas, has identified concerns with the CALLS proposal as filed and is willing to work with the CALL's proponents and all other stakeholders to develop an access charge reform proposal; and be it further

RESOLVED, that companies paying reduced access rates should be encouraged to pass these reductions on to end user customers; and be it further

RESOLVED, that the NARUC urges the FCC to address the following concerns as it reviews the CALLS proposal: (1) impact on jurisdictional responsibility for costs (e.g., separations); (2) How end user consumers will benefit from reduced access rates and other changes in rate design; (3) whether the interests of affordability and comparability are sufficiently accommodated; (4) Impact of the Internet on the continued ability to recover common line costs on a per-minute basis; (5) Assess both market-based and prescriptive approaches; and (6) Consistency with the Federal Telecommunications Act of 1996; and be it further

RESOLVED, that the NARUC commends the proponents of the CALLS proposal for offering a proposal concerning access rate design; and be it further

RESOLVED, that the NARUC General Counsel is directed to convey this position to the Federal Communications Commission.

Sponsored by the Committee on Telecommunications.

Approved by the NARUC Board of Directors November 9, 1999.

Approved by the NARUC Convention November 10, 1999.